

New Jersey State Investment Council

October 25, 2018 Special Meeting

Minutes of the Special Meeting

Held October 25, 2018 at the War Memorial, George Washington Ballroom, 1 Memorial Drive, Trenton, New Jersey.

Council Members in Attendance:

Adam Liebttag, Acting Chair
Marty Barrett
Thomas Bruno Jr.
Michael Cleary
Vaughn Crowe
Michael Greaney
James Hanson
Timothy McGuckin
Samir Pandiri
Eric Richard

James Joyner was not in attendance.

Roll Call and Notice of Meeting

The Special Meeting was called to order by Adam Liebttag, Acting Chair, at 10:05 a.m. Ernestine Jones-Booker, Council Secretary, performed roll call and announced that notice of the Special Meeting scheduled for October 25, 2018 was faxed to the Times of Trenton, the Bergen Record, and the Courier Post on October 17, 2018 and posted on the public website of the Division of Investment (Division) and e-mailed to the Secretary of State on October 19, 2018. A copy of the notice was posted at the Division and is on file.

Approval of Minutes for Regular Meeting held September 27, 2018

Mr. Liebttag introduced for adoption the minutes for the regular meeting held September 27, 2018. Marty Barrett requested to amend the third sentence of the third full paragraph on page 1 to read as follows: "All Council Members present voted in favor, except for abstentions by Timothy McGuckin, who was absent from the meeting, and Marty Barrett, who had not yet been appointed to the Council." Thomas Bruno Jr. made a motion to approve the minutes as amended, with Michael Cleary seconding the motion. All Council Members present voted in favor.

Appointment by Acting Chair of Additional Member to the Investment Policy Committee

Mr. Liebttag welcomed Vaughn Crowe and Samir Pandiri as new members of the Council, and appointed Mr. Crowe to the Investment Policy Committee.

Director's Report

Acting Director Corey Amon presented the Director's Report, providing an update on capital markets and on the performance of various asset classes and the portfolio as a whole. Mr. Amon described changes in sector allocation and reported on the pacing of private equity and real estate cash flows. Amanda Truppa of the Division reported on actions of the ESG committee with respect to the Nike investment that had been referred to it for its consideration. Ms. Truppa also advised the Council on changes to Division staff and the status of pending procurements. Lastly, Ms. Truppa notified the Council of modifications to the terms of the Division's investment in Winton Futures Fund.

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New Jersey Cash Management Fund Update

Mr. Amon introduced Linda Brooks, senior portfolio manager for the State of New Jersey Cash Management Fund (CMF). Mr. Liebtag led the Council in giving Ms. Brooks a standing ovation for her 38 years of service. Ms. Brooks provided an overview of CMF, discussing the history of the fund, its participants, its investments, its fees and its performance.

Report from the State Treasurer

Dini Ajmani of the State Treasurer's office described the process of selecting State Investment Council nominees, including Mr. Pandiri and Mr. Crowe and nominees Susan Soh and Ted Aronson, who were also present in the audience.

Fiscal Year 2018 Proxy Voting Summary

Susan Sarnowski of the Division reported to the Council regarding the Division's proxy voting for Fiscal Year 2018, with respect to both U.S. and non-U.S. corporations. In response to a questions from the Council, Ms. Sarnowski outlined the process used by the Division in voting proxies and explained the relation between the Division's proxy voting and investment decisions made by portfolio managers and investment analysts at the Division.

Private Equity Investment

JLL Partners Fund VIII, L.P.

Robin Clifford of the Division, along with Matt Coyne of TorreyCove, presented an investment of up to \$200 million in JLL Partners Fund VIII, L.P., a private equity fund focused on middle market investments primarily in North America. Ms. Clifford outlined the fund's investment strategy and economic terms and described JLL's environmental, social, and governance (ESG) practices. In response to Councilmember questions, Ms. Clifford described the fund's sector focus and its competitive advantages. Mr. Amon and Ms. Clifford also discussed JLL's past involvement in payday lending and the effect of its current ESG policy on its investment decision process going forward. Mr. Liebtag reported that the IPC had reviewed the investment and the due diligence performed by the Division and recommended presentation to the Council.

Real Estate Investment

KSL Capital Partners V, L.P.

Kevin Higgins of the Division, along with Bob Flanagan and Sean Barber of Hamilton Lane, presented an investment of up to \$100 million in KSL Capital Partners Fund V, L.P., a real estate fund focusing on equity and debt investments in travel and leisure assets and businesses. Mr. Higgins described the fund's management team, investment strategy, economic terms, and ESG policy. Mr. Higgins responded to various Council member concerns regarding the fund, including variations in the performance of prior funds, the allocation of capital among sectors, the sectors' ability to withstand market downturns and weather events, and the application of the fund's ESG policy to foreign investments. Mr. Liebtag reported that the IPC had reviewed the investment and the due diligence performed by the Division and recommended presentation to the Council.

Timothy McGuckin departed the meeting at this time.

Public Comment

Jim Baker of the Private Equity Stakeholder Project, along with former Toys "R" Us workers Cheryl Claude, Louann Crawford and Joseph Ryan, spoke about the Division's investment in Solus Opportunities Fund 3 LP and the fund's involvement in the Toys "R" Us bankruptcy liquidation.

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Adjournment

Mr. Liebtag made a motion to adjourn the meeting, with Michael Greaney seconding the motion. All Council members present voted in favor. The meeting was adjourned at 11:50 a.m.